



Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

September 21, 2009

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Regulation Z; Interim Final Rule; Request for Public comment
Federal Reserve System Regulation Z; Docket No. R-1364

Dear Ms. Johnson:

This letter is submitted on behalf of Wells Fargo & Company and its affiliates ("Wells Fargo") in response to the Interim Final Rule implementing provisions of the Truth in Lending Act, published in the Federal Register on July 22, 2009 at 12 CFR Part 226 (the "Interim Rules"). Wells Fargo appreciates the opportunity to comment and respectfully requests that the members of the Board of Governors of the Federal Reserve System ("Board") consider adopting the suggestions set forth herein.

The Wells Fargo vision to satisfy all of our customers' financial needs, to help them succeed financially, and to be known as one of America's great companies is a driving force in the way we do business. Engaging in responsible lending practices, encouraging consumers to make responsible and successful financial choices and conducting business with honesty and integrity, are already at the heart of our vision. It is our practice to build our business processes and strategies in compliance with all applicable laws and regulations.

This letter provides Wells Fargo's comments to the Interim Rules, and seeks additional clarification based upon the Interim Rules.

45 Day Notice Provision (226.9):

Wells Fargo supports the Board's definition of "significant change" in the Interim Rules in the context of determining when a 45 day notice is required. Wells Fargo believes that defining significant changes as changes to disclosures required in 226.6 and the required minimum payment sufficiently clarifies for creditors what changes will be considered significant while also taking into consideration what changes consumers have indicated would be important to them.

Wells Fargo would also like to express support for the Board's position that the right to reject a change was not meant to apply in the case where the consumer is 60 days delinquent. Wells Fargo believes that delinquency needs to have consequences both to deter the breach of contract and to allow banks to manage risk and loss. Additionally, Wells Fargo agrees with the Board's position that because there is a separate right to cure any rate increase due to delinquency, such a rate increase is unlike other rate increases.

Early Notice:

Wells Fargo urges the Board to amend the Interim Rules when issuing final rules to expressly authorize anticipatory notice for penalty rate increases. Such a provision would ensure that if a consumer is delinquent (regardless of how many days delinquent) that creditors would be able to send out the 45 day notice letting consumers know that if they become 60 days delinquent their rate will be increased to the penalty rate at that time. Creditors should be allowed to send an early notice in cases where rate increases with respect to outstanding and new balances will occur on different dates as well as in cases where the APR for both outstanding and new balances will be increased on the same date. Many consumers may appreciate the early warning and time to reform their behavior, to ensure that they are never subject to the penalty rate rather than receiving a notice at a time when they have already triggered the increase and cannot prevent it. Wells Fargo notes that such anticipatory notice was contemplated in the Commentary to section 226.9(g) of the Regulation Z Final Rules that were issued by the Board in December of 2008. The Board had legitimate rationale for including anticipatory notice in its Final Rules, and that rationale is still legitimate after the passage of the CARD Act.

Exceptions to the 45 Day Notice Requirement:**Provision of Rate Disclosures Prior to Commencement of Promotional Period:**

The Interim Rules require creditors to provide certain disclosures in order to fall within the exception to the 45 day notice requirement for a rate increase at the expiration of a specified period of time. In particular, prior to the commencement of the promotional period, creditors must provide consumers with the APR that will apply to their balance after the promotional period. While Wells Fargo has established methods to comply with these requirements, it is burdensome to do so in some cases given the variations in

price. In some cases it is hard to create a quick technological solution that can accommodate the requirements. As a result, creditors may be forced to rely on manual solutions, which are costly and burdensome to administer. Wells Fargo would like express authorization to either (i) give the rate disclosure as an "up to" value indicating the highest rate any account will have post-promotional period rather than a specific rate for the particular account or (ii) the ability to narratively disclose that the rate will be the standard purchase rate and refer the customer to the specific rate disclosure in their cardholder agreement or statements.

Disclosures for Promotions Offered Online or Via Telephone:

These promotional disclosures are also procedurally difficult to make for promotions offered online or via telephone. There does not appear to be a specific E-Sign Act exception for these disclosures in the Interim Rules, and it is costly for creditors and inconvenient for consumers to make these disclosures in a telephone sales context when creditors must ensure that consumers are given the disclosures in writing (such as by email or mail) before the transaction is processed. Such a requirement often causes delay in the purchase processing, which is not consumer-friendly. Wells Fargo believes that allowing verbal disclosures in certain contexts would better serve the interests of consumers. Additionally, Wells Fargo believes that it is appropriate to except the electronic promotional disclosures from the requirements of the E-Sign Act.

Application of Promotional Rates Applicable to Entire Accounts:

Additionally, many creditors offer promotional rates that are applicable to the entire account (existing and new balances) for a specified period of time. Wells Fargo notes that the exception for increasing a rate at the expiration of a promotion includes a condition that the increased rate is not applied to transactions that occurred prior to the commencement of the promotional period. However, Wells Fargo urges the Board to clarify that this language was not meant to prevent a creditor from offering a promotional rate on an entire account (including an existing balance) and then taking the account rate back to the rate in place prior to the promotion. If read literally, creditors could conclude that they should not offer a promotional rate on the account as a whole (including existing balances) because in doing so, they create a protected balance (the balance that represents transactions that occurred prior to the promotion) that cannot be subsequently increased to the rate in place prior to the promotion. Discouraging creditors from offering promotional rates applicable to the entire account would not be beneficial to consumers and was surely not the Congressional intent of the language.

Request for Addition of Exception for Servicemembers:

Wells Fargo also notes that there is no exception to the 45 day notice requirement for rate increases at the end of a period of rate reduction imposed pursuant to the Servicemembers Civil Relief Act 50 U.S.C. app. 527 ("SCRA"). An exception was proposed to be added to __.24(b)(6) of Regulation AA that would have allowed a creditor to increase the rate on an outstanding balance after such a reduction pursuant to 50 U.S.C. app. 527. Clearly,

Congress did not intend to alter the SCRA, including provisions which allow creditors to return to the contractual rate after the SCRA rate reduction period. However, the SCRA exception was not included in the Interim Rules. Wells Fargo requests that the Board provide clear guidance allowing creditors to continue to comply with the SCRA in increasing a rate at the end of the rate reduction period. If necessary, perhaps it could be listed in the commentary as a subset of a hardship arrangement, because it seems that the purpose of the SCRA is to give servicemembers relief from the hardship imposed during certain periods of military service.

Application of Workout or Hardship Rate Reductions at the Start of Current Cycle:

In the context of lowering a rate for a workout or hardship arrangement, many creditors first talk to consumers, then send disclosures, then impose the rate reduction as of the start of the current cycle. Although this practice is customer-friendly, Wells Fargo requests that the Board specify in the commentary that this practice is acceptable in light of the language in the Interim Rules that disclosures be provided “prior to commencement of the workout or temporary hardship arrangement” as long as a creditor waits until written disclosures have reached the consumer (thereby commencing the arrangement) before imposing the reduced rate.

Conclusion:

Wells Fargo strives to provide our consumers with flexible, wide-ranging and competitive credit products, superior service and education while fully complying with all applicable laws and regulations. We strongly support the improved disclosures to promote consumer understanding and respectfully urge the Board to consider all of the comments and suggestions herein.

If you have any questions or would like to discuss any of the issues herein, please do not hesitate to contact me at (515)557-6289 or martineolson-daniel@wellsfargo.com.

Sincerely,

Martine T. Olson-Daniel
Senior Counsel